

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Jackson Transportation Authority	County Jackson
Fiscal Year End 9/30/07	Opinion Date January 8, 2008	Date Audit Report Submitted to State January 31, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

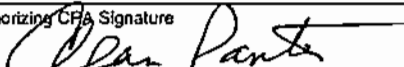
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Alan D. Panter, CPA		License Number 1101020708

**City of Jackson Act 196
Transportation Authority
Jackson, Michigan**

FINANCIAL STATEMENTS

September 30, 2007

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the accompanying financial statements of the City of Jackson Act 196 Transportation Authority as of and for the years ended September 30, 2007 and 2006 as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

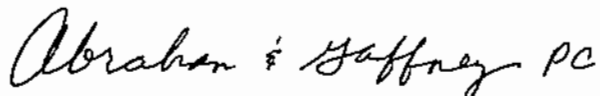
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Jackson Act 196 Transportation Authority as of September 30, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2008, on our consideration of the City of Jackson Act 196 Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson Act 196 Transportation Authority's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Jackson Act 196 Transportation Authority. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 8, 2008

Jackson Transportation Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

As management of the Jackson Transportation Authority ["the Authority"], we offer readers of the Jackson Transportation Authority's financial statements this narrative overview and analysis of the financial activities of the Jackson Transportation Authority for the fiscal year ended September 30, 2007.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,089,407.
- The Authority's total net assets decreased by \$500,572, as the result of current year activity. Depreciation for the current year totaled \$665,820.
- It should be noted that net assets indicate a reduction of \$500,572. However, there was an increase of cash of \$126,407 from the previous year. This can be compared to the last fiscal year (2006) where there was an increase of cash in the amount of \$157,735 as compared to FY 2005.
- Capital contributions from the federal and state governments amounted to \$186,059 in 2007, partially offsetting depreciation. Capital contributions included vehicle purchases and security monitoring equipment.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: statements of net assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements.

The statement of net assets presents information on all of the Authority's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of net assets is shown on page 1 of this report.

The statement of revenues, expenses, and changes in net assets presents information on revenues, expenses, capital contributions, and how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements of some items that will only result in cash flows in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The statement of revenues, expenses, and changes in fund net assets is shown on page 2 of this report.

The statement of cash flows summarizes all of the Authority's cash flows into four categories: cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statement of cash flows is shown on page 3 of this report.

The statement of cash flows, along with related notes and information in other financial statements, can be used to assess the following: the Authority's ability to generate positive future cash flows and pay its debts if and when they occur and/or mature; the reasons for differences between the Authority's operating cash flows and operating income [loss]; the effect of cash and noncash investing, capital, and financing activities on the Authority's financial position.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statement of net assets; statement of revenues, expenses, and changes in net assets; and statement of cash flows. The notes to the financial statements are shown on pages 4 to 11 of this report.

The financial statements provide information on all functions of the Authority as business type activities. The activities of the Authority are supported by a property tax levy, fare collections from passengers, and federal and state financial assistance.

Jackson Transportation Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

Financial Analysis

Statement of Net Assets - Total assets of the Authority exceeded total liabilities by \$3,089,407 as of September 30, 2007. The largest portion of this excess, (\$2,261,836) of total net assets of \$3,089,407, was invested in capital assets. The Authority used these capital assets to provide public transit services to customers and member jurisdictions; consequently, these assets are not available for future spending. Even though the Authority has no current debt, it should be noted that the Authority's investment in capital assets resources could not be used to liquidate any future liabilities. Such debt, should it occur, would need to be repaid using other sources of revenue such as property tax.

CONDENSED STATEMENT OF NET ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets	\$ 1,190,114	\$ 1,189,130
Capital Assets [net]	<u>2,261,836</u>	<u>2,745,660</u>
Total Assets	3,451,950	3,934,790
Current Liabilities	362,543	344,811
Noncurrent Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	362,543	344,811
Net Assets		
—Invested in Capital Assets	2,261,836	2,745,660
—Unrestricted	<u>827,571</u>	<u>844,319</u>
Total Net Assets	<u>\$ 3,089,407</u>	<u>\$ 3,589,979</u>

Unrestricted net assets (\$827,571) are available to meet the Authority's ongoing obligations. Unrestricted net assets in 2006 were \$844,319 or a reduction of \$16,748.

Statement of Revenues, Expenses, and Changes in Net Assets - During fiscal year 2007, the Authority's activities resulted in a decrease in net assets of \$500,572. The decrease in net assets is primarily attributable to depreciation. It should be noted however that there was a decrease of unrestricted net assets of \$16,748 in the current year. This can again be compared to the increase of unrestricted net assets of \$90,649 in FY 2006 as compared to FY 2005. While the Authority still faces the challenge of increasing local funding, the relatively small reduction in unrestricted net assets in light of the high level of services that were provided during the year without increased local share, indicate continued focus on cost cutting measures. For eleven (11) months of the fiscal year the Authority maintained service levels for residents outside the City of Jackson while negotiating for an increased contribution from Jackson County. Effective September 1, 2007, services for non-city residents was reduced significantly. The local share for all service provided to County residents after September 1st is being paid by Jackson County.

Jackson Transportation Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS

	<u>2007</u>	<u>2006</u>
Operating Revenues	\$ 917,163	\$ 1,080,089
Nonoperating Revenues	<u>4,022,570</u>	<u>4,263,058</u>
Total Revenues	4,939,733	5,343,147
Depreciation Expense	665,820	784,539
Other Expenses	<u>4,774,485</u>	<u>5,107,421</u>
Total Expenses	5,440,305	5,891,960
Beginning Net Assets	3,589,979	4,138,792
Ending Net Assets	<u>3,089,407</u>	<u>3,589,979</u>
Change in Net Assets	<u>\$ (500,572)</u>	<u>\$ (548,813)</u>

The decrease in operating revenues of \$162,926 (or 15%) is primarily due to two (2) factors. The total elimination of all Head Start service (revenue of approximately \$260,000 in 2006), and a reduction of passenger fares resulting from significant fare increases during the fiscal year. Property tax revenues increased by \$27,073. Investment income increased by \$3,752. State of Michigan Act 51 operating assistance decreased by \$366,358 (or 18%). This decrease can be attributed to a significant expense reduction this fiscal year (State formula assistance is based upon eligible expense) combined with an overall reduction of formula assistance from 39.25% in FY 2006 to 38.62% in FY 2007. Federal FTA urban operating assistance increased by \$25,000. The increase in FTA operating assistance highlights the continued lack of local funding to continue current service levels. Authority officials have the ability to allocate the use of Federal formula funds for operating or capital purchases. Federal formula funds are currently being relied upon to meet general operating expenses that would otherwise be covered by local funds. Unfortunately, this practice leaves very little funding available for capital purchases. This is why the Authority continues to press for new local funding. The lack of local share funding for services outside the City of Jackson has resulted in significant service reductions for County residents beginning in September, 2007.

The following table shows revenues and expenses by source for the fiscal years ended September 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Operating Revenues	\$ 917,163	\$ 1,080,089
Nonoperating Revenues		
• Property Taxes	619,824	592,751
• State Funds	1,821,110	2,136,272
• Federal Funds	1,423,761	1,406,783
• Local Funds	129,446	102,575
Interest Earnings	<u>28,429</u>	<u>24,677</u>
Total Revenues	4,939,733	5,343,147
Operations Expenses	3,504,691	3,909,996
Maintenance Expenses	1,045,245	1,101,250
General Administrative Expenses	<u>890,369</u>	<u>880,714</u>
Total Expenses	<u>\$ 5,440,305</u>	<u>\$ 5,891,960</u>

Jackson Transportation Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

Capital Assets and Debt Administration

Capital Assets - The Authority's investment in capital assets as of September 30, 2007, was \$2,261,836 compared to \$2,745,660 in 2006. Investment in capital assets includes: land, buildings and improvements; revenue and nonrevenue vehicles; equipment; furniture, fixtures, and leasehold improvements. The net decrease in capital assets during the current year was \$483,824 (or 18%). The reduction is primarily due to less capital improvements in the 2007 year that would have offset depreciation.

The following table summarizes capital assets net of depreciation as of September 30, 2007.

Land [not depreciated]	\$ 180,119
Buildings and improvements	1,580,697
Revenue vehicles/Service vehicles	332,298
Furniture and fixtures	6,355
Equipment	<u>162,367</u>
Net Capital Assets	<u>\$ 2,261,836</u>

Additional information on the Authority's capital assets is shown in Note D on page 8.

Outstanding Debt - At the end of the 2007 fiscal year, the Authority had no outstanding debt. This was unchanged from the 2006 fiscal year.

Other Significant Items

Again this year the Authority has had to rely upon cash reserves to meet operating expenses that exceed revenues. Actual unrestricted net assets in 2006 were \$844,319. Unrestricted net assets at the end of 2007 were \$827,571 or a decrease of \$16,748. Cash flow with this level of unrestricted assets continues to pose some cash flow issues. Due to Federal funding generally not being appropriated until late in the fiscal year, the JTA was forced to borrow operating funds from the State during FY 2007. JTA officials will attempt to avoid borrowing in FY 2008 subject to Federal allocation timing.

Authority management was successful in once again avoiding continued significant reductions of unrestricted net assets that had occurred prior to FY 2006. JTA management, under the leadership of its board of directors has committed to maintaining the viability of the Authority through fiscal discipline. Funding for large capital purchases continues to be a challenge.

JTA officials are continuing discussions with Jackson County officials to find a way to increase local funding. Until additional funding can be found, County residents will be forced to deal with reduced service levels instituted in FY 2007.

It appears that for the near future, Federal funding will remain somewhat steady. State funding may decline due to the struggling economy. The Authority can expect more pressure to raise local sources of funding to maintain current service levels or for expanded service. JTA officials will continue to access all available sources of funding.

Jackson Transportation Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Request for Information

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of the Authority's finances. If you have questions concerning any of the information provided in this report, or if you need additional financial information, contact the Chief Financial Officer or General Manager at the following address:

Jackson Transportation Authority
2350 East High Street
Jackson, MI 49203
Phone: 517-787-8363

Cameron McCollum
General Manager
Ext. 3790

Dawn Mroczka
Finance Director
Ext. 3781

BASIC FINANCIAL STATEMENTS

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets		
Cash	\$ 755,010	\$ 628,603
Accounts receivable	62,492	83,629
Grants receivable	117,025	200,615
Inventories	229,434	246,580
Prepays	<u>26,153</u>	<u>29,703</u>
Total current assets	1,190,114	1,189,130
Noncurrent assets		
Capital assets not being depreciated	180,119	180,119
Capital assets, net of accumulated depreciation	<u>2,081,717</u>	<u>2,565,541</u>
Total noncurrent assets	<u>2,261,836</u>	<u>2,745,660</u>
TOTAL ASSETS	3,451,950	3,934,790
LIABILITIES		
Current liabilities		
Accounts payable	30,897	9,015
Accrued liabilities	128,703	133,462
Sick and vacation payable	<u>202,943</u>	<u>202,334</u>
TOTAL LIABILITIES	<u>362,543</u>	<u>344,811</u>
NET ASSETS		
Invested in capital assets	2,261,836	2,745,660
Unrestricted	<u>827,571</u>	<u>844,319</u>
TOTAL NET ASSETS	<u>\$ 3,089,407</u>	<u>\$ 3,589,979</u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Sales and charges for services	\$ 917,163	\$ 1,080,089
OPERATING EXPENSES		
Operations	3,504,691	3,909,996
Maintenance	1,045,245	1,101,250
Administrative	<u>885,065</u>	<u>875,409</u>
TOTAL OPERATING EXPENSES	<u>5,435,001</u>	<u>5,886,655</u>
OPERATING (LOSS)	(4,517,838)	(4,806,566)
NONOPERATING REVENUES		
Taxes	619,824	592,751
Intergovernmental		
Federal sources	1,288,978	1,294,058
State sources	1,787,414	2,114,945
Local sources	111,866	102,575
Interest earnings	<u>28,429</u>	<u>24,677</u>
TOTAL NONOPERATING REVENUES	3,836,511	4,129,006
NONOPERATING EXPENSES		
Interest	<u>(5,304)</u>	<u>(5,305)</u>
NET (LOSS) BEFORE CAPITAL GRANT REVENUE	(686,631)	(682,865)
CAPITAL GRANT REVENUE		
Federal sources	134,783	112,725
State sources	33,696	21,327
Local sources	<u>17,580</u>	<u>-</u>
TOTAL CAPITAL GRANT REVENUE	<u>186,059</u>	<u>134,052</u>
CHANGE IN NET ASSETS	(500,572)	(548,813)
Net assets, beginning of year	<u>3,589,979</u>	<u>4,138,792</u>
Net assets, end of year	<u><u>\$ 3,089,407</u></u>	<u><u>\$ 3,589,979</u></u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

Years Ended September 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 938,300	\$ 1,082,616
Cash paid to employees and vendors	(3,486,607)	(3,740,717)
Cash paid for employee benefits	(1,244,146)	(1,305,680)
NET CASH (USED) BY OPERATING ACTIVITIES	(3,792,453)	(3,963,781)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	619,824	592,751
Intergovernmental sources	3,271,848	3,520,418
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,891,672	4,113,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(185,937)	(145,077)
Loss on disposal of capital assets	3,941	-
Capital grants	186,059	134,052
Interest expense	(5,304)	(5,305)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,241)	(16,330)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	28,429	24,677
NET CHANGE IN CASH DURING YEAR	126,407	157,735
Cash, beginning of year	628,603	470,868
Cash, end of year	<u>\$ 755,010</u>	<u>\$ 628,603</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (4,517,838)	\$ (4,806,566)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities		
Depreciation	665,820	784,539
Decrease in accounts receivable	21,137	2,527
Decrease in inventories	17,146	45,413
Decrease in prepaids	3,550	2,774
Increase in accounts payable	21,882	213
Increase in sick and vacation payable	609	6,795
Increase (decrease) in accrued liabilities	(4,759)	524
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (3,792,453)</u>	<u>\$ (3,963,781)</u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jackson Act 196 Transportation Authority (JTA) was established under the applicable laws of the State of Michigan Public Act 196, as amended, to operate a transportation system within the County of Jackson on November 3, 1986. Public Act 196 known as the "public transportation authority act" authorizes the formation of public transportation authorities with certain powers and duties as separate and distinct political subdivisions within the State of Michigan.

The JTA receives Federal and State financial assistance in the form of operating and capital grant funding to support its operation, expand marketing and specialized services, and replace buses and other equipment. The JTA provides linehaul and demand response services within the City of Jackson and Jackson County. The JTA provides services on a contractual basis to several nonprofit and governmental agencies within the County as well as other services not provided through private providers.

The accounting policies of the City of Jackson Act 196 Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with Governmental Accounting Standards Board Statement 20, the Authority has elected not to apply the FASB Statements and interpretations issued after November 30, 1989, to its financial statements. The following is a summary of the significant policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the City of Jackson Act 196 Transportation Authority. The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14, as amended by Statement No. 39, and has determined that no other entities should be included in its financial statements as component units. Therefore, the reporting entity consists only of the primary government financial statements.

2. Basis of Presentation

The accounts of the JTA are organized on the basis of a fund which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. JTA resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

5. Cash

The JTA pooled cash accounts consist of various checking and savings accounts. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing accounts.

6. Capital Assets and Long-Term Liabilities

Capital assets include all buildings, vehicles, equipment, furniture, and fixtures purchased with federal or state monies or assets with an acquisition cost exceeding \$1,000 if purchased with local monies. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	30 years
Vehicles	5-10 years
Furniture and fixtures	10 years
Equipment	5-10 years

Long-term liabilities are recognized in the basic financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. JTA did not have any long-term liabilities at September 30, 2007.

7. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Accrued Vacation and Sick Leave

JTA employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a current liability.

9. Cost Allocations

The JTA has five (5) cost allocation plans where the methodology has been approved by the BPT. Those cost allocations are for the separation of charter service, special project costs, urban and nonurban service, maintenance costs, and administrative costs. These cost allocation plans were adhered to in the preparation of the financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

9. Cost Allocations - continued

JTA allocates expenses between various program activities for grant reporting purposes. The allocations are prepared based on a cost allocation plan and methodology that has been approved by the grantor agency (i.e., vehicle miles per program activity).

10. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the financial position and operations of the Authority.

11. Explanation of Ineligible Expenses per the BPT R&E Manual

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

NOTE B: CASH

The JTA is authorized to invest any of its funds in one (1) or more of the following:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which it maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B: CASH - CONTINUED

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of September 30, 2007, the carrying amounts of the Authority's deposits were \$750,210 and the bank balance was \$787,100, of which \$178,928 was insured by the FDIC. The balance of \$608,172 was uninsured and uncollateralized. The Statement of Net Assets caption "Cash" includes \$4,800 of imprest cash.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2007, the Authority did not have any investments that would be subject to rating.

Interest rate risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

NOTE C: GRANTS RECEIVABLE (PAYABLE)

Grants receivable (payable) at September 30, 2007, by grant type and year are as follows:

State Operating Assistance - FY06	\$ 78,827
State Operating Assistance - FY05	2,075
State Operating Assistance - FY07	(48,225)
State Operating Assistance - FY03	29,094
State Capital Match 02-0054/Z16	178
Job Access Reverse Commute (JARC)	35,000
Federal Section 5311 - FY07	19,638
Federal Section 5311 - FY06	209
Western Union	<u>229</u>
Total	<u>\$ 117,025</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 180,119	\$ -	\$ -	\$ 180,119
Capital assets being depreciated				
Buildings and improvements	4,243,795	-	(10,745)	4,233,050
Vehicles	4,437,525	162,780	(249,922)	4,350,383
Furniture and fixtures	102,677	-	(5,196)	97,481
Components parts	21,529	23,157	(21,529)	23,157
Equipment	<u>1,716,841</u>	<u>-</u>	<u>(24,648)</u>	<u>1,692,193</u>
Total capital assets being depreciated	10,522,367	185,937	(312,040)	10,396,264
Less accumulated depreciation for:				
Buildings and improvements	(2,469,488)	(189,669)	6,804	(2,652,353)
Vehicles	(3,910,985)	(357,022)	249,922	(4,018,085)
Furniture and fixtures	(93,814)	(2,508)	5,196	(91,126)
Components parts	(21,529)	(23,157)	21,529	(23,157)
Equipment	<u>(1,461,010)</u>	<u>(93,464)</u>	<u>24,648</u>	<u>(1,529,826)</u>
Total accumulated depreciation	<u>(7,956,826)</u>	<u>(665,820)</u>	<u>308,099</u>	<u>(8,314,547)</u>
Net capital assets being depreciated	<u>2,565,541</u>	<u>(479,883)</u>	<u>(3,941)</u>	<u>2,081,717</u>
Net capital assets	<u>\$ 2,745,660</u>	<u>\$(479,883)</u>	<u>\$(3,941)</u>	<u>\$ 2,261,836</u>

When Federal or State funded assets are withdrawn from public transportation service, the disposition of the assets is to be determined by the United States Department of Transportation (USDOT) and the Michigan Department of Transportation (MDOT). During the year the Jackson Transportation Authority disposed of assets that were federally and State funded with a historical cost of \$312,040. The total amount disposed of was fully depreciated, except for a boiler with a net book value of \$3,941. The boiler failed during the year and it was necessary to replace it. Depreciation expense in the amount of \$665,820 was reported for year ended September 30, 2007.

NOTE E: RETIREMENT PLAN

Plan Description

The JTA participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E: RETIREMENT PLAN - CONTINUED

Funding Policy

Covered employees contribute 4% of their annual salary to the retirement system. The JTA is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended September 30, 2007, the JTA's annual pension cost of \$153,961 for the plan was equal to the JTA's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	As of December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 2,080,232	\$ 2,390,800	\$ 2,761,159
Actuarial accrued liability (AAL) (entry age)	3,063,542	3,368,402	3,690,537
Unfunded (overfunded) AAL	983,310	977,602	929,378
Funded ratio	68 %	71 %	75 %
Covered payroll	2,480,328	2,235,173	2,249,251
UAAL as a percentage of covered payroll	40 %	44 %	41 %

	Year Ended September 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 161,217	\$ 152,140	\$ 153,961
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

NOTE F: COMPENSATED ABSENCES

Vacation leave is earned in varying amounts depending on the number of years of service of an employee. Vacation must be taken within a one (1) year period and is not subject to carryover, except if approved by the department head, and then cannot exceed 25% of the vacation leave available that year.

Sick leave is granted at a rate of six (6) days per year. Any unused sick pay up to sixteen (16) hours may be carried over to the next fiscal year. Unused sick time exceeding the sixteen (16) hours is payable to the employees in the first week of the next fiscal year.

Vacation leave is recorded as an expense when earned. Sick leave is not recorded until utilized or paid. Accumulated sick leave is immaterial.

The sick and vacation payable at September 30, 2007, was \$202,943 and is recorded as a current liability in the financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G: PROPERTY TAX REVENUES

The JTA property tax is levied in December on the Taxable Valuation of property located in the City of Jackson as of the preceding December. Real and personal property in the City for the current levy was assessed and equalized at approximately \$742 million representing 50% of estimated current market value. In September 2003, the JTA's tax rate of 1.00 mill was renewed for five (5) years, covering the period from October 1, 2003 through September 30, 2008. For the year ended September 30, 2007, the JTA levied .9597 mills, due to the Headlee rollback.

NOTE H: RISK MANAGEMENT

The JTA is a member of the Michigan Transit Liability Trust Fund ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities.

This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the JTA.

The JTA pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums. Annually, the JTA receives notification from the Pool of retrospective claims adjustments based on the actual claims experience of the JTA and other members of the Pool. These retrospective claims adjustments, determined by the Pool, are accrued annually by the JTA upon notification.

The JTA continues to carry commercial insurance for employee health, workers' compensation, and other insurance including general liability and commercial building insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

NOTE I: NET ASSETS RESERVE

The Board of Directors of the JTA has earmarked \$200,000 of net assets to provide a reserve for uninsured losses.

NOTE J: CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

NOTE K: FLEXIBLE BENEFITS PLAN

In January 1994, JTA implemented a flexible benefits cafeteria plan established under section 125 of the Internal Revenue Code. The plan is available to all employees who are eligible to have health coverage under JTA's health insurance plan and have a benefit election form on file. The plan permits employees to waive health insurance coverage from JTA and receive a cash benefit in lieu of such health insurance. The plan also permits employees receive dependent care expense reimbursement.

The plan is administered by Flex One.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

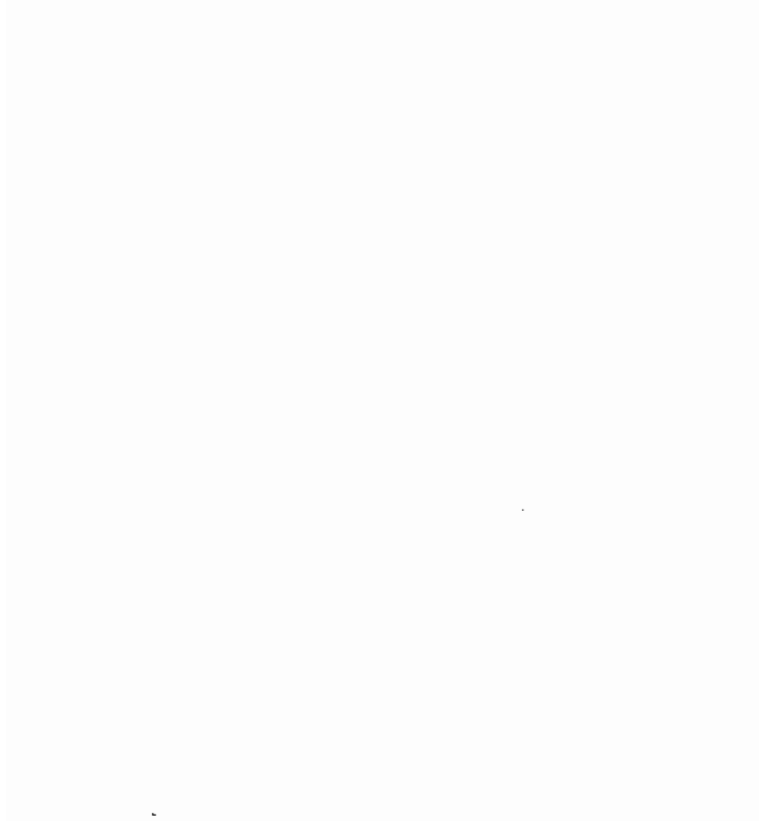
NOTE L: DEFERRED COMPENSATION

The JTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all employees of JTA, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan is administered through Nationwide Retirement Solutions.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of the public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of December 31, 1997, the JTA had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the JTA because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

OTHER SUPPLEMENTARY INFORMATION



CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF LOCAL REVENUES

Year Ended September 30, 2007

Line Haul - Farebox (Urban)	\$ 490,363
Demand Response - Farebox (Nonurban)	36,325
JARC - Farebox	1,734
Contract fares	211,319
Advertising	13,320
Intercity ticket sales	28,065
Sale of maintenance services	119,531
Other nontransportation revenues	16,506
Tax levy	580,427
Single business tax	39,397
Other local contracts and reimbursements	111,866
Interest income	28,429
	<hr/>
TOTAL LOCAL REVENUES	<u>\$ 1,677,282</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2007

Federal and State Grantor/Pass - Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures				Prior Year's Expenditures	Award Amount Remaining
				Total	Federal	State	Local		
U.S. DEPARTMENT OF TRANSPORTATION									
Direct Assistance									
Federal Transit Administration									
Federal Transit - Formula Grants ^(a)	20.507								
Operating Assistance - Section 5307		MI-90-4532	\$ 1,100,000	\$1,100,000	\$1,100,000	\$ -	\$ -	\$ -	\$ -0-
Capital Assistance - Section 5307		MI-90-0501	1,000,000	-	-	-	-	14,453	985,547
Passed Through Michigan Department of Transportation									
Federal Transit - Formula Grants ^(a)									
Capital Assistance - Section 5307 (80/20)		2002-0054/Z16	157,500	86,747	58,224	14,556	13,967	-	70,753
Capital Assistance - Section 5307 (80/20)		2002-0054/Z19	125,000	99,312	76,559	19,140	3,613	-	25,688
			2,382,500	1,286,059	1,234,783	33,696	17,580	14,453	1,081,988
Formula Grants for Other than Urbanized Areas									
Operating Assistance - Section 5311 (FY 07)	20.509	2007-0236/Z2	222,908	170,849	170,849	-	-	-	52,059
Rural Transit Assistance Program (RTAP)		N/A	629	629	629	-	-	-	-0-
			223,537	171,478	171,478	-0-	-0-	-0-	52,059
MICHIGAN DEPARTMENT OF TRANSPORTATION									
Job Access and Reverse Commute ^(b)	20.516	2007-0236/Z1	35,000	35,000	17,500	17,500	-	-	-0-
Operating Assistance - Act 51									
Operating Assistance (FY 07)									
Urban		N/A	1,387,141	1,387,141	-	1,387,141	-	-	-0-
Nonurban		N/A	388,136	388,136	-	388,136	-	-	-0-
Operating Assistance (FY 05)		N/A	1,955,937	139	-	139	-	1,936,100	-0-
Operating Assistance (FY 04)		N/A	2,094,077	(5,502)	-	(5,502)	-	-	-0-
			5,825,291	1,769,914	-0-	1,769,914	-0-	1,936,100	-
TOTALS			\$ 8,466,328	\$3,262,451	\$1,423,761	\$1,821,110	\$ 17,580	\$ 1,950,553	\$1,134,047

^(a) Denotes major program.

^(b) Federal/state participation percentage is 50/50 for JARC operating programs.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING AND CONTRACT EXPENSES

Year Ended September 30, 2007

	Urban	Nonurban	JARC	Total
Labor	\$ 1,765,843	\$ 494,581	\$ 20,211	\$ 2,280,635
Fringe benefits	959,947	268,864	11,185	1,239,996
Services	115,590	32,375	157	148,122
Materials and supplies	619,673	173,559	3,527	796,759
Utilities	86,894	24,337	-	111,231
Insurance	133,796	37,474	1,633	172,903
Taxes and fees	991	278	-	1,269
Miscellaneous expenses	14,863	2,713	22	17,598
Interest	4,143	1,161	-	5,304
Operating leases	522	146	-	668
Depreciation	499,365	166,455	-	665,820
TOTAL EXPENSES	<u>\$ 4,201,627</u>	<u>\$ 1,201,943</u>	<u>\$ 36,735</u>	<u>\$ 5,440,305</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4R
URBAN REGULAR SERVICE REVENUE REPORT

Year Ended September 30, 2007

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	\$ 490,363
40200	Contract fares	162,109
406	Auxiliary transportation revenue	
40615	Advertising	13,320
40620	Intercity ticket sales	21,924
407	Nontransportation revenue	
40710	Sale of maintenance services	93,378
40799	Other nontransportation revenues	12,895
408	Local revenue	
40800	Tax levied directly for/by transit agency	580,427
40920	Single business tax	39,397
40999	Other local contracts and reimbursements	3,500
411	State formula and contracts	
41101	State operating assistance	1,387,141
413	Federal contracts	
41302	Section 5307	1,100,000
414	Other revenue	
41400	Interest income	22,209
	TOTAL URBAN SERVICE REVENUE	<u>\$ 3,926,663</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
URBAN REGULAR SERVICE EXPENSE REPORT

Year Ended September 30, 2007

Code	Description	Operations	Maintenance	Administrative	Total
501	Labor				
50101	Operator's salaries and wages	\$ 858,115	\$ -	\$ -	\$ 858,115
50102	Other salaries and wages	65,163	404,277	230,715	700,155
50103	Dispatchers' salaries and wages	207,573	-	-	207,573
502	Fringe benefits				
50200	Other fringe benefits	570,555	187,102	83,328	840,985
50201	Pensions	68,332	26,603	24,027	118,962
503	Services				
50302	Advertising fees	-	-	8,690	8,690
50305	Audit cost	-	-	7,890	7,890
50399	Other services	-	11,676	87,334	99,010
504	Materials and supplies				
50401	Fuel and lubricants	291,611	-	-	291,611
50402	Tires and tubes	25,271	-	-	25,271
50404	Major supplies	117	236	3,698	4,051
50499	Other materials and supplies	169,369	73,862	55,509	298,740
505	Utilities				
50500	Utilities	-	-	86,894	86,894
506	Insurance				
50603	Liability insurance	110,668	-	-	110,668
50699	Other insurance	-	-	23,128	23,128
507	Taxes and fees				
50700	Taxes and fees	913	78	-	991
509	Miscellaneous expenses				
50902	Travel, meeting, and training	-	2,239	3,772	6,011
50903	Association dues and subscriptions	-	-	345	345
50909	Loss on disposal of assets	2,601	788	552	3,941
50999	Other miscellaneous expenses	1,329	656	2,581	4,566
511	Interest expense				
51103	Interest on state advances	-	-	4,143	4,143
512	Operating leases and rentals				
51200	Operating leases and rentals	-	-	522	522
513	Depreciation				
51300	Depreciation	329,581	99,873	69,911	499,365
550	Less ineligible expenses				
55010	Other ineligible expenses associated with auxiliary and nontransportation	4,564	-	8,331	12,895
509	Less ineligible expenses				
50909	Loss on disposal of assets	2,601	788	552	3,941

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
URBAN REGULAR SERVICE EXPENSE REPORT - CONTINUED

Year Ended September 30, 2007

Code	Description	Operations	Maintenance	Administrative	Total
560	Less ineligible expenses				
56001	Ineligible expenses associated with the sale of maintenance services	\$ -	\$ 93,378	\$ -	\$ 93,378
513	Less ineligible expenses				
51300	Depreciation	327,081	99,115	69,381	495,577
580	Less ineligible miscellaneous expenses				
58002	Ineligible interest on state advances	-	-	4,143	4,143
			Total expenses		4,201,627
			Total ineligible expenses		609,934
			Total eligible expenses		<u>\$ 3,591,693</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4N
URBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)

Year Ended September 30, 2007

PUBLIC SERVICE

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	51,463	5,118	906	57,487
611	Vehicle Miles ⁽¹⁾	686,772	60,384	10,599	757,755
615	Passengers - Regular	307,337	29,710	363	337,410
616	Passengers - Elderly	62,379	9,304	196	71,879
617	Passengers - Person with Disabilities	109,958	12,632	407	122,997
618	Passengers - Elderly Person with Disabilities	9,735	911	228	10,874
621	Total Line-Haul Passengers	430,373	50,102	-	480,475
622	Total Demand-Response Passengers	59,036	2,455	1,194	62,685
625	Days Operated	508	104	53	665

VEHICLE INFORMATION

Code	Description	Quantity
653	Total Line-Haul Vehicles	11
654	Line-Haul Vehicles with Lifts	11
655	Total Demand-Response Vehicles	32
656	Demand-Response Vehicles with Lifts	32
658	Total Transit Vehicles	43

MISCELLANEOUS INFORMATION

Code	Description	Quantity
601	Number of Routes (Line Haul Only)	14
602	Number of Route Miles (Line Haul Only)	1,150
660	Diesel/Gasoline - Gallons Consumed	106,875
661	Total Transit Agency Employees (Full-Time Equiv.)	46
662	Total Revenue Vehicle Operators (Full-Time Equiv.)	23

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4R
NONURBAN REGULAR SERVICE REVENUE REPORT

Year Ended September 30, 2007

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	\$ 36,325
40200	Contract fares	49,210
406	Auxiliary transportation revenue	
40620	Intercity ticket sales	6,141
407	Nontransportation revenue	
40710	Sale of maintenance services	26,153
40799	Other nontransportation revenues	3,611
408	Local revenue	
40999	Other local contracts and reimbursements	108,366
411	State formula and contracts	
41101	State operating assistance	388,136
413	Federal contracts	
41301	Section 5311	170,849
41398	RTAP	629
414	Other revenue	
41400	Interest income	6,220
	TOTAL NONURBAN SERVICE REVENUE	<u>\$ 795,640</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
NONURBAN REGULAR SERVICE EXPENSE REPORT

Year Ended September 30, 2007

Code	Description	Operations	Maintenance	Administrative	Total
501	Labor				
50101	Operator's salaries and wages	\$ 240,343	\$ -	\$ -	\$ 240,343
50102	Other salaries and wages	18,251	113,231	64,619	196,101
50103	Dispatchers' salaries and wages	58,137	-	-	58,137
502	Fringe benefits				
50200	Other fringe benefits	159,802	52,404	23,338	235,544
50201	Pensions	19,139	7,451	6,730	33,320
503	Services				
50302	Advertising fees	-	-	2,434	2,434
50305	Audit cost	-	-	2,210	2,210
50399	Other services	-	3,270	24,461	27,731
504	Materials and supplies				
50401	Fuel and lubricants	81,675	-	-	81,675
50402	Tires and tubes	7,078	-	-	7,078
50404	Major supplies	33	66	1,036	1,135
50499	Other materials and supplies	47,437	20,687	15,547	83,671
505	Utilities				
50500	Utilities	-	-	24,337	24,337
506	Insurance				
50603	Liability insurance	30,996	-	-	30,996
50699	Other insurance	-	-	6,478	6,478
507	Taxes and fees				
50700	Taxes and fees	256	22	-	278
509	Miscellaneous expenses				
50902	Travel, meeting, and training	-	628	1,056	1,684
50903	Association dues and subscriptions	-	-	97	97
50999	Other miscellaneous expenses	372	184	376	932
511	Interest expense				
51103	Interest on state advances	-	-	1,161	1,161
512	Operating leases and rentals				
51200	Operating leases and rentals	-	-	146	146
513	Depreciation				
51300	Depreciation	109,860	33,291	23,304	166,455
550	Less ineligible expenses				
55010	Other ineligible expenses associated with auxiliary and nontransportation	1,278	-	2,333	3,611
560	Less ineligible expenses				
56001	Ineligible expenses associated with the sale of maintenance services	-	26,153	-	26,153
513	Less ineligible expenses				
51300	Depreciation expense	109,162	33,079	23,156	165,397

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
NONURBAN REGULAR SERVICE EXPENSE REPORT - CONTINUED

Year Ended September 30, 2007

<u>Code</u>	<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>Administrative</u>	<u>Total</u>
574	Less ineligible expenses				
57402	Ineligible RTAP	\$ -	\$ -	\$ 629	\$ 629
580	Less ineligible miscellaneous expenses				
58002	Ineligible interest on state advances	-	-	1,161	1,161
Total expenses					1,201,943
Total ineligible expenses					<u>196,951</u>
Total eligible expenses					<u>\$ 1,004,992</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4N
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)

Year Ended September 30, 2007

PUBLIC SERVICE

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
610	Vehicle Hours	8,622	-	-	8,622
611	Vehicle Miles ⁽¹⁾	222,311	-	-	222,311
615	Passengers - Regular	1,905	-	-	1,905
616	Passengers - Elderly	1,459	-	-	1,459
617	Passengers - Person with Disabilities	5,988	-	-	5,988
618	Passengers - Elderly Person with Disabilities	1,032	-	-	1,032
622	Total Demand-Response Passengers	10,384	-	-	10,384
625	Days Operated	254	-	-	254

VEHICLE INFORMATION

<u>Code</u>	<u>Description</u>	<u>Quantity</u>
655	Total Demand-Response Vehicles	9
656	Demand-Response Vehicles with Lifts	9

MISCELLANEOUS INFORMATION

<u>Code</u>	<u>Description</u>	<u>Quantity</u>
660	Diesel/Gasoline - Gallons Consumed	30,126
661	Total Transit Agency Employees (Full-Time Equiv.)	13
662	Total Revenue Vehicle Operators (Full-Time Equiv.)	8

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEUDLE 4R
JARC SERVICE REVENUE REPORT

Year Ended September 30, 2007

<u>Code</u>	<u>Description</u>	<u>Amount</u>
401	Farebox revenue	
40100	Passenger fares	\$ 1,734
411	State formula and contracts	
41199	Other state contracts and reimbursements	<u>35,000</u>
	TOTAL JARC SERVICE REVENUE	<u>\$ 36,734</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
JARC SERVICE EXPENSE REPORT

Year Ended September 30, 2007

Code	Description	Operations	Maintenance	Total
501	Labor			
50101	Operator's salaries and wages	\$ 11,543	\$ -	\$ 11,543
50102	Other salaries and wages	-	3,616	3,616
50103	Dispatchers' salaries and wages	5,052	-	5,052
502	Fringe benefits			
50200	Other fringe benefits	7,606	1,901	9,507
50201	Pensions	1,342	336	1,678
503	Services			
50399	Other services	-	157	157
504	Materials and supplies			
50401	Fuel and lubricants	1,312	-	1,312
50499	Other materials and supplies	1,611	604	2,215
506	Insurance			
50603	Liability insurance	1,633	-	1,633
509	Miscellaneous expenses			
50999	Other miscellaneous expenses	15	7	22
		<u>15</u>	<u>7</u>	<u>22</u>
		Total eligible expenses		<u>\$ 36,735</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4N
JARC SERVICE NONFINANCIAL REPORT (UNAUDITED)

Year Ended September 30, 2007

PUBLIC SERVICE

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
610	Vehicle Hours	746	-	-	746
611	Vehicle Miles ⁽¹⁾	15,303	-	-	15,303
617	Passengers - Person with Disabilities	1,481	-	-	1,481
622	Total Demand-Response Passengers	1,481	-	-	1,481
625	Days Operated	63	-	-	63

VEHICLE INFORMATION

<u>Code</u>	<u>Description</u>	<u>Quantity</u>
655	Total Demand-Response Vehicles	1
656	Demand-Response Vehicles with Lifts	1

MISCELLANEOUS INFORMATION

<u>Code</u>	<u>Description</u>	<u>Quantity</u>
660	Diesel/Gasoline - Gallons Consumed	687
661	Total Transit Agency Employees (Full-Time Equiv.)	4
662	Total Revenue Vehicle Operators (Full-Time Equiv.)	2

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OPERATING ASSISTANCE CALCULATION

Year Ended September 30, 2007

	Urban	Nonurban	JARC
Total expenses	\$ 4,201,627	\$ 1,201,943	\$ 36,735
Less ineligible expenses			
Auxiliary and nontransportation	12,895	3,611	-
Loss on disposal of capital assets	3,941	-	-
Sale of maintenance services	93,378	26,153	-
Depreciation	495,577	165,397	-
Ineligible RTAP	-	629	-
Interest on state advances	4,143	1,161	-
Total ineligible expenses per R&E manual	609,934	196,951	-
TOTAL STATE AND FEDERAL ELIGIBLE EXPENSES	<u>\$ 3,591,693</u>	<u>\$ 1,004,992</u>	<u>\$ 36,735</u>
Eligible expenses for State reimbursement	\$ 3,591,693	\$ 1,004,992	\$ 36,735
x Reimbursement percentage	<u>0.386208</u>	<u>0.386208</u>	<u>0.500000⁽²⁾</u>
State operating assistance	<u>\$ 1,387,141</u>	<u>\$ 388,136</u>	<u>\$ 17,500</u>
Eligible expenses for Federal reimbursement	\$ 3,591,693	\$ 1,004,992	\$ 36,735
x Reimbursement percentage	<u>0.500000⁽¹⁾</u>	<u>0.170000</u>	<u>0.500000⁽²⁾</u>
Federal section 5307 and section 5311 operating assistance	<u>\$ 1,100,000</u>	<u>\$ 170,849</u>	<u>\$ 17,500</u>

(1) Reimbursement is 50% of eligible expenses, not to exceed \$1,100,000.

(2) Reimbursement is 50% of eligible expenses, not to exceed \$17,500.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the financial statements of the City of Jackson Act 196 Transportation Authority as of and for the year ended September 30, 2007, and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control over financial reporting.

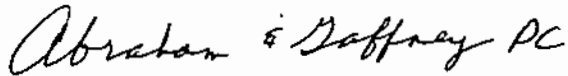
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jackson Act 196 Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Directors of the City of Jackson Act 196 Transportation Authority, others within the entity, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 8, 2008

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

Compliance

We have audited the compliance of the City of Jackson Act 196 Transportation Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City of Jackson Act 196 Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City of Jackson Act 196 Transportation Authority's management. Our responsibility is to express an opinion on the City of Jackson Act 196 Transportation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jackson Act 196 Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Jackson Act 196 Transportation Authority's compliance with those requirements.

In our opinion, the City of Jackson Act 196 Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

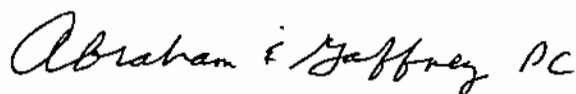
The management of the City of Jackson Act 196 Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant applicable to federal programs. In planning and performing our audit, we considered the City of Jackson Act 196 Transportation Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management and the Board of Directors of the City of Jackson Act 196 Transportation Authority, others within the entity, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 8, 2008

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not
considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not
considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with
Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.507	Federal Transit - Formula Grants

Dollar threshold used to distinguish between Type A and
Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2007

There were no findings disclosed for the past two years.